

Fujitsu and Sumitomo Electric throw JV weight into compound

Fujitsu Ltd and Sumitomo Electric Industries Ltd have agreed to create a JV that will consolidate the operations of Fujitsu Quantum Devices Ltd, the wholly owned subsidiary of Fujitsu, focused on the development, manufacture and sales of compound semiconductors, with the electronic devices business of Sumitomo Electric's compound semiconductor operations.

The joint firm will absorb a Fujitsu subsidiary and a Sumitomo Electric division with ¥27bn and ¥4bn in annual sales respectively, projected for the year to March 2004.

Fujitsu and Sumitomo Electric will have equal equity ownership in the JV.

Fujitsu Quantum Devices will contribute its microwave devices and optical communi-

cations device products to the venture. Sumitomo Electric offers its epitaxial technology.

The two companies said that the compound semiconductor devices market has been expanding its product applications from the telecommunication infrastructure arena, such as equipment for fixed-line networks and wireless base stations, to perceived growth markets of mobile terminals, digital home appliances and even enterprise applications, such as wireless local area networks.

The venture is intended to capitalise on the anticipated growth in the global demand for products that employ compound semiconductor devices. This is fuelled by the expansion of fibre-to-the-home and other high-speed subscriber networks in the US, Europe, Japan and

China. The venture is to begin in April 2004.

The 50-50 joint firm capitalised at ¥20bn (\$318m) projects annual sales of ¥60bn by March 2007.

The global market for compound semiconductors is estimated at \$2.8bn, expected to almost double within the next three years.

The JV is anticipated to have the heaviest impact on TriQuint Semiconductor Inc, with its manufacturing operations in Apopka.

Last year it drew 45% of its sales from the wireless phone market and is among those raising its earnings expectations, based on increasing demand for wireless products. It expects sales of \$85-\$87m in 4Q and a profit of 3-4c/share.

Lockheed awarded GPS III

The US Air Force has awarded Lockheed Martin one of two industry contracts valued at approximately \$20m each to enter the next development phase of an advanced Global Positioning System, to be known as GPS III.

The awards are for the Phase A element of the programme, during which two teams will conduct studies culminating in a systems requirements review in fourth quarter, 2004.

Phase B, the GPS III development programme, is expected to be awarded by the US Air Force Navstar Joint Program Office.

"The next-generation global positioning system will bring unrivalled capabilities to the warfighter, as well as civil, scientific, and commercial users around the globe," said John Sundquist, VP, Lockheed Martin Navigation Systems.

"GPS III will deliver major improvements in accuracy, assured service delivery, integrity and flexibility and we look forward to providing our customer the best value GPS solution available."

The GPSIII team ultimately selected will provide system and sustaining engineering, satellite development and production, control segment upgrades, and continuous R&D for this evolutionary system.

Lockheed Martin has assembled a team that brings together industry expertise in all elements of the GPS III system, that includes Spectrum Astro, ITT, Raytheon and General Dynamics.

\$Cree reports highest levels in several years

Cree Inc has reported 2Q revenues for 2004 of \$72.6m, a 28% increase over \$56.7m reported in the comparable 2003 quarter. Net income for the 2Q was up 45% to \$13m or 17c/diluted share compared with 12c/diluted share. Overall gross margin increased to 47% of revenue compared

to 43% reported in the Q1 of 2004.

For six months ended December 2003, Cree reports revenue at \$138.8m up 32% on \$105.5m for the previous comparable six months. Net income for this period increased 70% to \$21.8m or 29c/diluted share compared to 17c/diluted share.

Chuck Swoboda CEO and president says revenues and profitability "were driven by strong LED sales. The combination of a favourable product mix, reduced pricing pressure and improved operational efficiencies resulted in a significant increase in product gross margin."

Big chemists and the compound market

DuPont forecasts that most its sales growth will occur China, Central and Eastern Europe and Brazil. Electronic & communication technologies feature in its five growth platforms along with agriculture & nutrition,

coatings & colour technologies, performance materials, and safety & protection.

Ciba Specialty Chemicals, a leading pigments producer, will focus new product develop-

ment on green and blue pigments used in LCD, CD-ROMs and other devices in response to growing sales. This focus will result in increased R&D spending in its electronics materials unit.